SECURITIES AND EXCHANGE COMMISSION (Release No. 34-54691; File No. SR-Amex-2006-103)

**November 2, 2006** 

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Eliminating the Post-Trade Allocation Feature in ANTE

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 27, 2006, the American Stock Exchange LLC ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been substantially prepared by Amex. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

The Exchange proposes to eliminate the concept of post-trade allocation codified in Amex Rule 935 – ANTE(b). The text of the proposed rule change is available on the Amex's Web site at <a href="http://amex.com">http://amex.com</a>, the Amex's Office of the Secretary, and at the Commission's Public Reference Room.

<sup>&</sup>lt;sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>&</sup>lt;sup>2</sup> 17 CFR 240.19b-4.

<sup>&</sup>lt;sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>&</sup>lt;sup>4</sup> 17 CFR 240.19b-4(f)(6).

# II. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis</u> for, the Proposed Rule Change

In its filing with the Commission, Amex included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

## A. <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory</u> <u>Basis for, the Proposed Rule Change</u>

#### 1. Purpose

The Exchange proposes to eliminate Amex Rule 935 - ANTE (b), governing ANTE post-trade allocation. Amex Rule 935 - ANTE (b) currently provides for the post-trade allocation of contracts executed as the result of the submission of orders to trade with orders in the ANTE Central Book. Amex Rule 935 - ANTE (b)(2) provides that if more than one ANTE Participant<sup>5</sup> and/or a floor broker representing a customer order submits an order to trade with an order in the ANTE Central book, within a period not to exceed five seconds after the initial ANTE Participant has submitted its order, all those ANTE Participants and the floor broker's customer will be entitled to participate in the allocation of any executed contracts. Amex Rule 935 - ANTE (b)(2) provides that the ANTE Participant to first submit the order to trade would be allocated executed contracts up to a size established on a class-by-class basis by the Options Trading Committee and referred to as the "Take Size." The initial ANTE Participant receives the lesser of the

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Amex Rule 900 - ANTE (b)(45) defines ANTE Participant as either the specialist, registered options trader(s), Remote Registered Options Trader or Supplemental Registered Options Trader, assigned to trade a specific options class on the ANTE System.

number of executed contracts in his indicated order size or the "Take Size." The Options Trading Committee considers the option's liquidity and the size of the trading crowd in determining the appropriate "Take Size" for each option class. They are responsible for reviewing and in some cases revising the assigned "Take Size" on a periodic basis, but do not change a "Take Size" during the course of a trading day.

Other Exchanges have moved towards electronic trading, where the notion of "Take-Size" does not exist.<sup>6</sup> The Exchange believes that eliminating the concept of "Take-Size" at the Amex will further encourage competition with the liquidity providers on the Exchange's Floor. Accordingly, the Exchange proposes that ANTE Participants will no longer be limited by the post-trade allocation process.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act<sup>7</sup> in general and furthers the objectives of Section 6(b)(5)<sup>8</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

### B. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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See ISE Rule 714 and NYSEArca Rule 6.76B.

<sup>&</sup>lt;sup>7</sup> 15 U.S.C. 78f.

<sup>&</sup>lt;sup>8</sup> 15 U.S.C. 78f(b)(5).